

# The American Observer

*A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe*

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DECEMBER 6, 1937

## Roosevelt Outlines Attack on Recession

Gigantic Housing Program, Financed by Private Capital, First Item on List

### OTHER MEASURES TO COME

President Considering Means of Stimulating Activity of Utilities and Railroad Industry

What can the government do to start the wheels of industry into motion again? That question is uppermost in Washington this month. It is heard throughout the land, for people everywhere are looking to the government to take some action which will start the country back on the road to recovery and prosperity. There is much disagreement as to what the government should do. Some think that it should merely repeal the taxes which bear most heavily on industry, stop its own spending, balance the budget, and then leave the job of recovery to business itself. Others think that the government should take more positive action to stimulate business.

Out of all the discussion, some action will undoubtedly be taken. There will be tax revision. Certain of the taxes which corporations find particularly burdensome, such as the corporation surplus tax and the capital gains tax, will be modified, though it can scarcely be expected that the total of the tax burden can be lightened, and it is unlikely that any action on taxes will be taken until after the regular session of Congress convenes in January. There is some hope that the government can help business by stimulating activity in certain industries, such as construction, utilities, and railroads.

### The President's Message

On November 29 President Roosevelt sent to Congress a message dealing with the possibility of stimulating activity in housing. This message had been eagerly awaited. From time to time during the last few years there have been rumors that something would be done to get the construction industry on its feet. There is certainly need that something should be done. It is a well-advertised fact that a third of the American people are poorly housed. They need decent living quarters. The carpenters, bricklayers, stone masons, cement workers, and other laborers employed in building need the jobs. Work has been scarce with them since the beginning of the depression period. The manufacturers of steel, cement, and other building materials need the orders which will flow in if people begin to build houses again as they were doing before the depression. In the "good old days" two million workers found employment in construction. Now only about half that number are employed. The building industry is on its back. It has never risen from that position since it fell early in the depression.

The extent of the decline in residential building is described in the President's message. During the seven years preceding 1930, he says, an average of 800,000 dwelling units were constructed each year, while during the seven years from 1930 to 1937 only 180,000 a year were constructed. He might have gone on to say that during the last five or six years only a little more than half as many dwellings were put up in the United States as in Great Britain, despite the fact that the population here is nearly three times as great. Five times as

(Continued on page 8)



POWER SWITCH

G. A. DOUGLAS FROM GENDREAU

## Conversing With the Wise

In books, says the philosopher, Francis Bacon, "we converse with the wise, as in action with fools." There is much truth in this observation, though it will stand considerable modification. The people with whom we converse face to face are not all fools, though some of them are, and few of them are to be classed among the great. As we go about among our friends, we meet and talk with many admirable people, but, unless our situation is quite unusual, we are thrown with few who stand in the top rank of the nation's thinkers and fewer still who have places among the greatest of all time. We naturally enjoy our associations, and they will ever remain the most potent influence in our lives. But oral conversation as a spur to the finest possible achievement usually leaves much to be desired.

When we read, however, we may be in contact with the greatest minds of all time. You may go to the library shelf and by the simple act of taking down books and turning their pages, secure an introduction to the wisest men and women of the ages. You may come into possession of the best that they have ever thought in their most inspired moments. You may, in the truest sense, associate with the leaders of every land and every epoch of history. For inspiration of the highest order, therefore, you may turn to books. You turn to them also for specific information, for, on the whole, people who have had books published are better informed than the people whom you are likely to meet and talk to concerning the problems in which you have an interest.

But it is not to be assumed that one may gain dependable information or inspiration merely by opening books at random. It is not so easy as that. The careful task of selection cannot be avoided. "Some books are to be tasted," says Bacon, "others to be swallowed, and some few to be chewed and digested." He might have added that most of the books which pour from the printing presses might well be thrown into the waste basket upon sight. But how are you to make the selection? How are you to learn how to choose the most reliable or the most inspiring books? These questions may be answered by asking another—"Why are you in school?" One of your primary objects in spending years in school is, or should be, to learn to read and to learn what to read. Your school should help you find your way about in the world of books. If your school fails in this objective, if it does not serve as a guide to your reading, you must undertake the task yourself; that is, if you hope to be well educated—educated in the art of conversing with the wise.

## Communist System of Government Studied

Russians Have Greatly Altered Program Since Early Days of Radical Experiment

### CAPITALIST FEATURES SEEN

But System Still Provides Government Ownership and Operation of Nation's Industries

In previous issues of THE AMERICAN OBSERVER, we have discussed two systems of government and society—democracy and fascism—and have pointed to the differences, in theory and practice, between the two. This week we shall consider a third great system, which came into being after the World War, and which has greatly influenced the postwar world. We refer, of course, to communism, to the Russian system of government and economics. Because this system directly affects such a large proportion of the earth's population and because it offers a challenge to other systems of government, it is important to understand its basic principles.

The chief feature of communism is the common or public ownership of property. Under communism, all the instruments of production—the factories, the stores, the land, the banks, and the transportation system—are owned and operated by the government. The people own only that which they personally use, such as clothing and small personal effects. Everyone works for the government, not for private employers. The government divides the products of industry and agriculture among the people according to their abilities and their needs. Under a system of pure communism, the people would not be divided into classes. All would be workers, though they would engage in different occupations, some doing intellectual and others manual work.

### Communism in Practice

Now this, in brief, is the aim of communism, as expressed by its early leaders. But as the years have gone by, the Communist rulers in Russia have given up many of their previous ideas. The Russian people, for example, do not receive rewards according to their needs, but more on the basis of how efficiently they work. Many workers receive as much as double the wages paid to other workers. Every effort is being made to encourage workers to increase their efficiency and quantity of output. Special prizes and bonuses, similar to those given in capitalist nations, are offered to laborers who do their jobs well. Moreover, Russians who lend part of their money to the government are paid fairly high rates of interest on what they have loaned; in other words, they receive money without working for it, which is not in line with the original communist ideals.

While it is true that the Soviet government has compromised in many respects, it still owns and operates all the nation's industries and most of its farms. The Communists say that public ownership is preferable to private ownership for this reason: Private owners, they say, will not produce any more of a given product than they can sell at a profit. If the masses of people do not have sufficient purchasing power to buy as much as these private owners produce, the owners simply will not produce so much. That is why, say the Communists, the farms and factories in capitalist countries do not begin to produce as much as they could. Most of the time they cannot sell even as much as they do produce.



SVERDLOV SQUARE, MOSCOW—ON THE RIGHT IS THE BOLSHOI THEATRE

This is because the owners of industry do not pay high enough wages to provide the mass of people with adequate purchasing power.

Under communism, it is argued, the government solves this problem. Since it owns nearly all the farms and factories, it can keep them geared up to capacity. It need not hold back on account of profits. It produces as much as it possibly can. Then it pays the people high enough wages to enable them to buy all that is being turned out.

#### Against Public Ownership

Such is the argument put forth by the Communists. Those in favor of private ownership of industry contend that the plan of having the government own everything and dominate the lives of all the people of a nation is bound eventually to stifle individual initiative, to retard progress, to produce tyranny, and in the long run to be far more harmful than otherwise. No advantages which the Communists claim can be compared to the advantage of having a free, self-reliant people such as live in the large democratic countries. Moreover, as we shall soon see, the Russians have a long way to go to prove that their economic system will ever be equal or superior to others. But before we go into this matter, let us turn back and get a brief picture of the conditions which led to the establishment of communism.

When Russia was ruled by a Czar, the government was one of the most corrupt and inefficient which has existed anywhere in the world during modern times. The people were kept in ignorance. There were few schools, and a great majority could neither read nor write. Walter Duranty, for many years the Russian correspondent of the *New York Times*, has pointed out that from half to two-thirds of the population, in the Czarist days, had never been more than 20 miles from their own villages. There were few manufacturing industries. Nearly all the people were peasants who lived little better than animals do.

Ruling over these ignorant peasants was the Czar and his officials, kept in power by police and soldiers. There was practically no trace of democratic institutions. The people had no voice in government, and there was no such thing as freedom of speech or press.

In the midst of the World War, when the government of the Czar broke down, a small band of Communists, headed by Nicholas Lenin, came into power. Lenin and his followers had been plotting for years to overthrow the Czar, but did not get their chance until the war developed and produced chaos in corrupt and inefficient Russia.

After the Communists seized control of the government, Russia was plunged into a state of civil war as Communists and their opponents fought for power. Other nations even joined in this fight to stamp out communism and sent a force of soldiers into Russia in 1919. But the Communists eventually won out and, under the leadership of Lenin, became established in power.

The new rulers were just as autocratic as the Czar's government had been. They did not establish democracy. They did not permit freedom of expression. They ruled with an iron hand and relentlessly killed those who stood out against them. But although they were ruthless, they did attempt to modernize the nation. They determined that industries other than farming should be developed. After struggling along trying to make improvements in one way or another for 10 years or so, they adopted a Five-Year Plan and laid out a program of national development. According to this program they began to build factories, to lay railroad tracks and, in general, to do everything possible to make Russia a strong and powerful industrial nation.

While this work was being carried on, the people suffered. The government demanded that they deny themselves many needed things in order that every ounce of energy, and every possible product, go toward building up the nation. The hardships the people went through during these years caused many of them to resist the government. The farmers, particularly, refused to cooperate. They were not anxious to join the collective farms—farms operated by groups of people working together—which the government established, and, often enough, rather than turn over wheat, cattle, and other products to the government, they destroyed them. What they did not destroy, the government took, leaving these people without food. No one outside of Russia knows how many peasants died of starvation during that time, but it is estimated that between one and three million lives were sacrificed.

#### Great Changes Wrought

But the Communist leaders, headed by Stalin, have gone doggedly ahead with their plans, sacrificing individuals, whenever they felt it necessary for the "good of the cause." As a result, great changes have been brought about in Russia. Hundreds and hundreds of factories have been built. The industries of the nation have grown by leaps and bounds. "If one visits the large department stores in Moscow," says Walter Duranty, "one will find there all sorts of articles, from pins and needles to electrical apparatus, gramophones, and wireless sets made in Soviet factories." According to Winthrop Case, writing in the *New York*

*Times*, Russian factories "last year turned out nearly five times as much goods as in 1928."

In all the Russian cities a great many new buildings and apartment houses are to be seen. Streets have been widened. Parks and recreational centers have been established. Large-scale, mechanized farming has replaced the ancient methods of Czarist days. There are half a million tractors and harvesters now in use on collective farms. Nearly every village and collective farm has at least one radio, and electric lights are becoming increasingly common. Nearly every factory provides educational instruction. Eighty out of every 100 Russians over the age of 12 are now able to read and write.

#### Progress Is Relative

A word of caution is necessary, however, when we speak of the progress which has been made under the communist dictatorship. We mean progress as contrasted with conditions under the Czarist regime. Any kind of system that rose at all above the levels of weakness and inefficiency would have made progress from that low level. It should be noted that despite the increased industrialization and orderliness in Russia, industry is not advanced to anything like the degree that it is in the United States, Germany, Great Britain, or the other industrial nations. Furthermore, the standard of living in Russia is among the lowest in Europe, and is incomparably below that which prevails in the United States. Most of the industrial work which has been done in Russia is of a shoddy variety. Houses and buildings are not well constructed, machines are not tended with skill, the factory worker is still relatively inefficient. Families are still crowded into unsanitary and inadequate living quarters. The Communists have made economic progress, but they still have a long way to go to catch up with the more advanced industrial nations.

Do the Russian people themselves like the experiment which the Soviet government is conducting? There is undoubtedly a difference of opinion in Russia. Most of the older people, especially those who were fairly well off before the revolution, look back with longing "to the good old days." There is considerable evidence, however, that the younger people are hopeful and, in the main, are firm believers in the communist system. They can scarcely be otherwise when account is taken of the fact that they are trained from their earliest years to believe in communism, and that all criticisms of it are kept from them, just as criticisms of fascism are kept from the youth of Italy and Germany.

It is no secret, however, that the Com-

munist leaders themselves are in bitter disagreement over government policies. The Stalin group has put to death probably over a thousand Russians, many of them prominent officials, during the last year. It claims that they were involved in a plot to overthrow communism in Russia. It is generally believed by outsiders that the plotters were not attempting to defeat the communist experiment, but instead were dissatisfied with the policies of the present rulers. Some of them were deeply disappointed because the Stalin regime refused to engage in a vigorous and open campaign to promote communism throughout the world. Others felt that the government was drifting away from communist aims and that the present rulers were deriving special benefits for themselves. Certain of the army leaders were bitter because Stalin approved the plan of keeping spies in the ranks of the army. These are some of the reasons for the plots against the government.

#### Dictatorship Absolute

The Soviet rulers have been dealing with the plotters in their customary manner—short trials and then the firing squads. In a democracy, these dissatisfied Russian leaders could have come out in the open with their criticisms and appealed to the people to defeat the government officials at the next election. This is not the case in a dictatorship country, such as Russia. Josef Stalin rules Russia with an iron hand, just as Mussolini rules in Italy and Hitler rules in Germany. He has built up a powerful Communist party, and he has seen to it that the army is well cared for, because he knows that he cannot stay in power except with military support. Elections are held in Russia, but they are little more than farces. The people in the separate communities and districts send representatives to the All-Union Congress of Soviets. It meets once every two years and is composed of more than 1,500 members. But in reality it has no power. If any of its members should criticize the communist system, they would likely be executed. There simply is no such thing as freedom of the press or freedom of speech in Russia. Nor is there freedom of religion. The Communist leaders believe that communism itself is a religion—an earthly religion designed to make the world a better place in which to live. They do everything possible to destroy faith in other forms of religion.

Fascist and communist leaders are bitter enemies, yet strange to say, their systems have much in common. Under both systems, the individual's rights are unimportant. The government dominates everything. Under fascism, individuals are

(Concluded on page 3, column 4)



FOR YEARS RUSSIA HAS BEEN BUILDING AND BUILDING. HERE IS A LARGE APARTMENT PROJECT



# AROUND THE WORLD

**France:** The visit to London a few days ago of Camille Chautemps, the French premier and Yvon Delbos, the foreign minister, has let loose a flood of speculation in the world press. The statesmen received the invitation to consult with British officials almost immediately after Viscount Halifax returned from Berlin, where, as reported in the previous issue of *THE AMERICAN OBSERVER*, he had sought to learn Hitler's intentions with regard both to German expansion in Central and Eastern Europe and to the recovery of former German colonies in Africa.

What Halifax found out is anybody's guess. But there is a tendency, logical enough, it must be admitted, to connect the Berlin conversations with the journey of the French politicians to London. Observers seem to think that Hitler left no doubt in Halifax's mind that Germany will seek to expand in Europe and to regain her pre-war possessions. London, therefore, found

Far East has ended in failure. The closing sessions were devoted to drafting a report which described the history of the conference, enunciated a set of principles, and informed Japan indirectly that her actions in China were inconsistent with principles of international morality. This report was accepted by 18 of the nations. Italy's delegate voted against it, declaring that his government regarded the assembly superfluous from the start.

Thus assured that it would be vain to expect any aid from other powers, China set herself to the task of renewing her resistance to Japan's military machine. But in this she is being less successful with the passing of each week. The latest reports indicate that Japanese forces are now very close to Nanking and should enter the capital within a few days, if they have not, indeed, already done so by the time this paper reaches its readers.

\* \* \*

**Tibet:** Since the death, in December 1933, of the thirteenth Dalai Lama, spiritual and political ruler of Tibet, there have been recurrent rumors that his successor had been found. But a recent expedition of British officers over treacherous terrain into Lhasa, seat of the Dalai Lama's kingdom, has established the fact that the search for the new Lama is still going on.

How he is found remains very much of a mystery. Those who have written long and romantic descriptions of the process have usually embroidered the little known facts with the ingenuity of fiction. What may be said with certainty is that the Dalai Lama is regarded in Tibet as the immortal Buddha reappearing in mortal shape. When one Lama dies, the spirit of Buddha is believed to reappear in a newly born child, and a search is made for the sacred infant throughout the countryside.

His life thereafter is extremely guarded. But even so it is in constant danger. Most of the Lamas have died before reaching their majority. It is suspected that rival cliques, struggling for power, have not hesitated to murder the Lama in order to gain control of the vast revenues of the monasteries and the landed estates which they control.

These monasteries are a familiar part of Tibetan scenery. They may be seen everywhere, dominating ragged peaks, sprawling across plateaus, and beetling over cliffs. Some of them harbor as many as 10,000 monks. They are the repositories of whatever culture Tibet has produced, including literature, painting, and religious music.

The tides of modernism have lashed



THE DALAI LAMA'S OFFICIAL RESIDENCE IN TIBET—ITS WALLS ALSO ENCLOSE CERTAIN GOVERNMENT OFFICES

Tibet slightly; there is now a telephone line to India and some electric installation. But for the most part it is still a country "veiled in mystery, with secrets of its own still undisclosed."

\* \* \*

**England:** In contrast with the United States, where the business decline first reflected in the sharp stock market break of August is now creating fears of another depression, industry in Great Britain is enjoying a boom. It is having the best year since 1929. The first 10 months of this year show a business improvement of more than 20 per cent over the same period in 1936. The export figures, an accurate index of business conditions in a country so largely dependent upon foreign trade, are particularly impressive. Goods amounting to \$2,500,000,000 have been shipped out of England this year, an increase of \$430,000,000.

Even more striking has been the sharp increase in goods imported into England, the advance over last year reaching a total of \$750,000,000. To some extent this advance is due to the rearmament program for which raw materials of every kind have been bought from other countries. But British government officials hasten to point out that quite a large part of the imports was in the form of food, indicating that the average British workman has more money to buy the things he needs. So, as one writer puts it, "Britain is

smiling." There is a widespread feeling of confidence. Things look quite rosy, and men and women believe that "the upsurge will continue."

\* \* \*

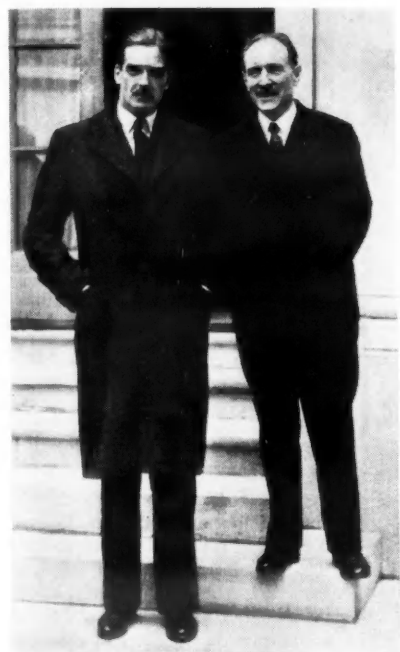
An unsuccessful attempt to assassinate Premier Mustafa Nahas of Egypt has thrown that country into political turmoil. The premier's enemies, charged with responsibility for the incident, charge the government with violating the Egyptian constitution.

## THE THEORY OF COMMUNISM

(Concluded from page 2)

allowed to own industries and to employ workers. But in each fascist nation, the government is constantly increasing its control over the industrial life of the country. The rights of both workers and employers are vanishing, and the situation is becoming much like that which prevails in Russia. The chief difference is that the contrasts in living standards in Russia are not nearly so great as they are in fascist nations. The wealth of Italy and Germany is divided among the people in about the same way as it was before the fascists came into power, whereas the wealth of Russia is being shared by the people on a much more equal basis than it was before the communist revolution.

One thing is clear, however. If the Americans should go either to fascism or to communism, they would be obliged to give up the heritage of individual freedom, which throughout their history they have held to be priceless. All but a small handful of American people believe that they can establish social and economic justice through democratic processes.



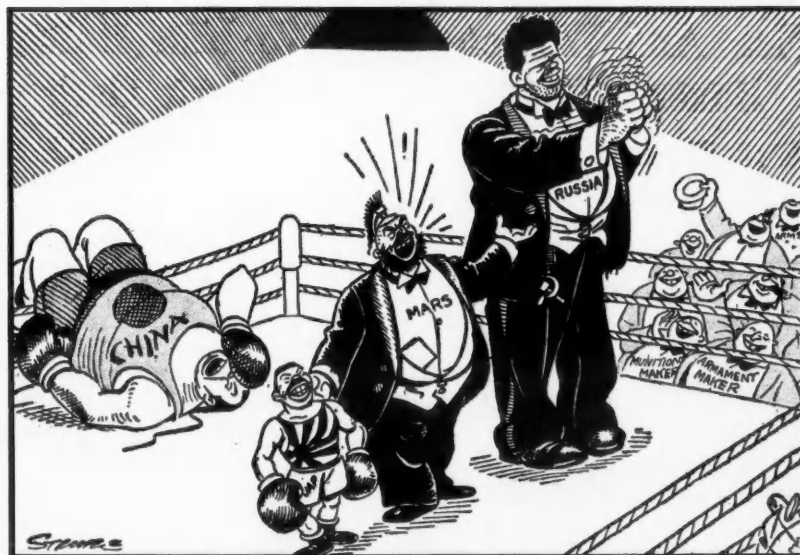
THEY CONFER  
Anthony Eden, British foreign secretary, and Camille Chautemps, premier of France.

it imperative to consult with Paris for one of two decisions: either to insure itself that France will cooperate with England in opposing Hitler, or to persuade France that the only way of securing a settlement of European problems is to let Hitler have a free hand in Austria and that part of Czechoslovakia which is dominated by a German-speaking population.

Those conversant with the temper of current British politics say that it is the latter of the two decisions that London has urged upon Paris. But whether France has agreed to the British proposal remains to be revealed. Certainly a decision of that kind cannot lightly be taken by the French foreign office. Paris has treaties of friendship with Czechoslovakia and Soviet Russia. It may be an easy matter to give up the pact with Prague, but suppose that Moscow, fearful of a Nazi advance into Eastern Europe, makes her own treaty with Paris dependent upon the latter's retaining the treaty with Prague? This is but one of the many speculations that make guessing a hazardous matter.

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**Belgium:** To the surprise of no one, though doubtless to the chagrin of China, the Nine Power conference that had been meeting in Brussels for three weeks to see what could be done about the war in the



STRUBE, COURTESY WASHINGTON POST  
WILL THIS BE THE NEXT CHAMPIONSHIP FIGHT?

## The American Observer

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PREPARING FOR THE ANNUAL VISIT

President Roosevelt's farm in Georgia made ready to receive him for his usual autumn visit this year. But the President was obliged to forego the trip because of a minor indisposition.

## The President

President Roosevelt left Washington last week for a short vacation in Florida. The trip had been postponed for a week because the President had been troubled with an infected tooth. It was thought that a few days of rest and fishing would put him in shape for the strenuous days ahead.

But the President combined business with pleasure. He took with him on the trip Robert H. Jackson, an assistant in the Department of Justice, who had been studying federal antitrust laws for some time. Frequently within the last few months the President has mentioned the need for revision of the antitrust laws. A few days ago he asked the Federal Trade Commission to investigate the effect which monopolistic control has had on the cost of living. The President, in a letter to the Commission, said that the "marked increase in the cost of living during the present year" is "attributable in part to monopolistic practices and other unwholesome methods of competition." The Commission is now making the study, and the President may call on Congress to pass bills to curb the giant monopolies when the report is made.

In moving to break up the monopolies, the President appears to be reversing the position which he held when he first came into office. Then he hoped to regulate monopolies by such measures as the NRA. His present position seems to be that regulation is not possible, that it is best for the nation if the monopolies are broken up into small units.

## The Farm Bills

Congress started last week on what threatens to be an extended discussion of a very complicated measure—farm legislation. There are two farm bills, one written by the Senate's Committee on Agriculture, the other written by the corresponding committee in the House. In principle, the bills are a great deal alike. They follow a plan advocated by Secretary of Agriculture Henry A. Wallace, which he calls the "ever-normal granary." Its purpose is to assure the farmers of a fair income every year. Secretary Wallace would have the farmers store up a surplus in good years, to be sold during poor years; the government would make loans to the farmers on the produce which is stored. The bills also provide for crop reduction when the surpluses become too large or too frequent.

Opposition to the bills comes from many different sources. Some congressmen believe the measures place too much power over agriculture in the hands of Secretary Wallace. Some say that the plan is too expensive, that it would throw the national budget even more out of balance than it is now. Some say that, while the theory of the "ever-normal granary" is all right, it is too complicated ever to be practical. Then there are sectional differences between cotton farmers, wheat farmers, corn farmers, dairy farmers, stock raisers, fruit and vegetable gardeners.

## After the Farm Bills

When the House of Representatives finishes with farm legislation, it is scheduled to take

up the wage-and-hour bill which the Senate passed last summer. There is considerable opposition to the bill in the House. The opposition was strengthened a few days ago when William Green, president of the A. F. of L., came out against the bill. Although he favors a law to shorten hours and raise wages, he believes that several changes should be made in the present bill. He does not believe the five-man board, which the bill establishes, should be given such wide powers over labor. Since Mr. Green speaks for a large group of laboring men, his opposition to the bill will carry considerable weight.

There is a chance that both the House and the Senate may desert the program outlined for them by President Roosevelt, to give their consideration to tax revision. The President has said that he would accept tax revision, but emphasized the importance of other measures. At a recent press conference, he said that Congress should not rush to pass a tax bill without thorough study beforehand. Committees in both the House and Senate are working with officials from the Treasury Department to write tax bills.

## President's Veto

Democratic congressmen are introducing a resolution which would give the President power to veto single items in appropriation bills. At present, the President must either approve or reject a bill in its entirety. He may not favor a certain item in a bill, yet he must let it go through because he is in favor of the bill as a whole. Last August President Roosevelt signed an appropriation bill for 132 million dollars, although he disapproved a particular 10 million dollar appropriation which the bill contained. Congressmen make use of this weakness in the presidential veto power to slip "pork barrel" measures into much-needed appropriation bills. They know that the President will sign



THE COUNTING STARTS

The cards are in and the unemployment census counters are at work tabulating the returns. William L. Austin (left) director of the U. S. Census Bureau, whose workers are handling details of the census, explains the routine to John D. Biggers, director of the unemployment census.

# The Week in the

## What the American People

the bill, even though he realizes some of the items are put in merely to benefit certain groups.

It is not likely that Congress will be very enthusiastic over the new resolution, since it deprives members of this opportunity to please the voters in their sections at the expense of the nation. But congressional leaders say that the new veto power would save the country millions of dollars every year. There is the question whether or not the Constitution gives the President power to veto specific items. The answer must come eventually from the Supreme Court, if and when Congress passes the resolution and the President vetoes a specific item. Congressmen are divided in their opinion as to the constitutionality of the resolution. Many states allow their governors to veto particular items in appropriation bills.

## Death from Drugs

Secretary Wallace severely condemned the present Food and Drug Act as inadequate in a report which he made to Congress recently. The report was prepared by the Food and Drug Administration; it was the story of the Administration's efforts to remove all bottles



"THEY MUST THINK WE'RE BIRDS!"  
TEMPLE IN NEW ORLEANS TIMES-PICAYUNE

of "elixir sulfanilamide" from homes and drug stores in 15 states. The elixir has been responsible for the death of at least 73 persons since August. It was first reported to the Administration in October.

If the drug had been called a "solution" instead of an "elixir," the Food and Drug Administration would have had no power to confiscate it, said Secretary Wallace. He stressed the need for a law which would protect the consumers in the future. If the company which sold the elixir had submitted it to a few simple tests, he said, its fatal effect would have been known before the drug was ever put on the market. Sulfanilamide is a valuable drug when used properly, according to doctors.

## Federal Musicians

More than 85 million persons have been entertained by symphony orchestras, dance orchestras, bands, operas, and operettas sponsored by the WPA's Federal Music Project since 1935. Altogether, the project's musicians have given about 116,000 performances; they have presented every type of musical program for every kind and size of audience. The Project has stressed music written by American composers, in an effort to acquaint the public with native music and to encourage American writers. The WPA has paid hundreds of music teachers to instruct ambitious but penniless students; these students have presented 12,000 recitals since the Project was launched.

## The Chain Gang

Newspapers, magazines, and books have attacked the "chain gang" as a cruel and in-

human method of punishing prisoners. A popular motion picture was based on its horrors. It has been said that the highways of several states have been built by the injustices



WHICH PAGE?  
RAY IN KANSAS CITY STAR

of the chain gang. Prisoners, instead of being placed in penitentiaries and reform schools, have been distributed to county camps to be used on road work.

The state of Georgia is planning to do away with the chain gang. Governor Rivers appointed a commission to investigate the state's penal system. One of the first recommendations made by the commission was to abolish the chain gang, and to put the 7,000 criminals into modern institutions. The parole system is to be improved, and a vocational education program is to be started.

## Ford Men Strike

The recent strike at a Ford Motor Company plant in St. Louis may be the first of a series of strikes called by the United Automobile Workers of America in Ford plants. Of the three important automobile manufacturing companies, Ford is the only one which has not signed a contract with the union, a member of the C. I. O. The union leaders have been planning for some time to concentrate on unionizing the Ford plants and forcing Mr. Ford to sign a contract with them. The St. Louis plant continued to operate at a reduced capacity, since not all the workers went on strike. The company and the union disagree as to the exact number of men who quit work.



ALASKA BIDS FOR  
It is reported that 10,000 more tourists visited Alaska last

Thus far there has been no violence between the picketing strikers and the workers.

The U. A. W. A. is having internal trouble which may hamper its efforts to organize the Ford plants. There is a group in the union which is trying to oust Homer Martin from his position as president. They say that Mr. Martin has been inefficient, that he



# the United States

## Doing, Saying, and Thinking

is too conservative. The dissension within the ranks of the U. A. W. A. is not recent. It was apparent when the union had its convention several months ago, but John L. Lewis,



THE REBEL YELL  
HERBLOCK FOR NEA SERVICE

chairman of the C. I. O., brought temporary peace between the opposing factions.

### Blood Banks

Doctors have found a way to preserve human blood, so it is no longer necessary to transfuse blood directly from one person to another. Now the blood can be taken from the "donor" in small amounts and at any time, stored away in refrigerated vaults, and used whenever the need arises. It is even possible for a person to have some of his own blood drained a week or two before he expects to need it. At present it is sometimes necessary to spend hours looking for a person whose blood is of the same type as that of the person needing the transfusion. The blood "bank," as it is called, can be stocked with all types of blood and a transfusion can be given in 15 minutes. The blood can be preserved from four to six weeks. By means of a blood bank, Russian doctors have stored up blood of persons killed in accidents and used it later in making transfusions.

### Christmas Seals

Between Thanksgiving and Christmas, the Christmas seals which largely finance the na-

times that amount by Christmas. The sale of Christmas seals has grown rapidly since then. All told, it has accounted for 110 million dollars; the best year was in 1929, when more than five million dollars came into association coffers. Each state has a Tuberculosis Association, affiliated with the National Association. Partly because of the work of the associations, tuberculosis has dropped from first to sixth in the list of fatal diseases since 1910.

### Growing Pains

The cities of Baltimore and Washington are moving together at the rate of four miles a year, according to the Maryland State Planning Commission. And the closer they get to each other, the more problems they create for their citizens. Washington has more than doubled in size since 1900, while Baltimore has increased about 60 per cent. At the present rate, the two cities, with their suburbs and Annapolis, Maryland, will have about two million people by 1950.

The Maryland commission recommends that plans be made to prevent future maladjustments. The state should make provisions for better highways. It should buy about



THE CHASE!  
TALBURN IN WASHINGTON NEWS

100,000 acres to be used for parks, wildlife refuges, and beaches on Chesapeake Bay. It is further recommended that zoning and building codes should be drafted for suburban areas immediately.

### For Education

Every year thousands of college students work at all sorts of tasks to pay part or all of their expenses. A recent survey at the University of Alabama showed that one-third of the 5,000 students there do some sort of work. The jobs range from dish-washing and table-waiting to preaching and caring for babies. One student has 10 jobs; another came to college with \$15 and is now saving money while going to school. But most college professors advise students not to enroll in college with the intention of working for all their expenses. Work takes too much of the students' time; they are not able to do justice to their studies and other college activities. However, many young people whose parents cannot afford to pay all their expenses are getting college educations because they are willing to put in from one to four hours a day firing furnaces, playing in orchestras, or delivering for cleaning shops.

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The nation's first lighthouse was authorized by Congress in 1790. It was built at the entrance to Chesapeake Bay. Now the Light-house Service maintains about 28,000 aids to navigation, almost one-fourth of the world's total. The Atlantic coast, with 6,370 miles to be guarded, is almost three times as long as the Pacific coast, 2,410 miles. The Gulf of Mexico gives the Service another 4,097 miles to watch.



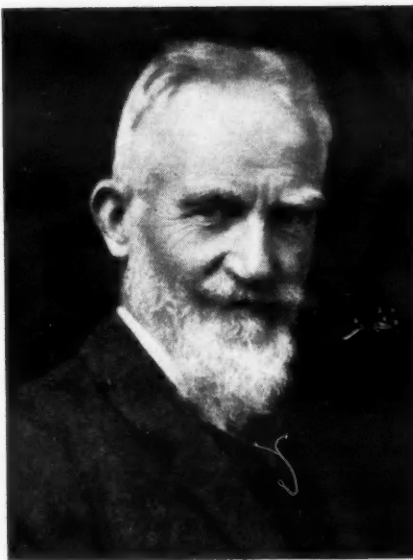
BUREAU OF RECLAMATION

HOLED THROUGH!  
Starting three-quarters of a mile away on the other side of a mountain, this hard-rock crew has just holed through the principal tunnel of the Gila Gravity Canal, which will serve to take irrigation waters from the Colorado River to about 150,000 acres of desert near Yuma, Arizona.

## NEW BOOKS

ONE of the most interesting novels of the fall season is "The Long Way Home" by Sylvia Chatfield Bates (New York: Harcourt, Brace and Company. \$2.50). It is on the borderline of being an historical novel, because the thread of its story is attached to the traits and characteristics which Ellen Swain, the main character, has inherited from a long line of pioneer ancestors. From the days when the early Americans were just beginning to push inland from the Atlantic seaboard, down to the modern era in which Ellen lives, these ancestors are sketched, showing briefly for each generation how a hardy, progressive spirit conquered new frontiers, and handed down a rich heritage of courage and ambition to the succeeding generations.

With this introduction, the story then centers upon the life of Ellen. Spending her girlhood in a small Eastern town, she was old enough to feel the full effects of the World War, in which many of her friends fought, some never to return. Turning down several opportunities to marry, she goes to New York, rides the crest of prosperity to become a successful businesswoman, then hits the toboggan slide of hard times, and returns to her home. As the picture becomes brighter, she finds happiness by moving to a small New England town and working as a librarian. At last, middle-aged, she marries. From this brief synopsis, it would seem that the story is amazingly simple, even prosaic. However, it is far from that, because Miss Bates constantly keeps in the foreground the manner in which Ellen is living up to the traits of her ancestors, showing this with understanding and an ability to keep the story interesting. Other



GEORGE BERNARD SHAW

"I was instantly attracted by the sparkle and gaiety of his conversation, and impressed by his eating only fruit and vegetables, and drinking only water," says Winston Churchill of the famous Irishman in "Great Contemporaries."

characters—Ellen's family and friends, neighbors, and business associates—take a vital part in the story, and form an interesting background in the events of her life.

\* \* \*

GREAT attention has been given during the past several years to an important step in adult education—the establishment of forums for the discussion of outstanding contemporary issues. In many cities, these forums are taking a front place as citizens gather to learn more about the difficult problems which we are facing today. One is somehow reminded of these discussion groups, where speakers of various opinions air their views, when he reads Sherwood Eddy's "Europe Today" (New York: Farrar and Rinehart. \$1.50). This resemblance appears because Dr. Eddy seems to be taking the part of the main speaker in his study of the current European situation, while the balance of the discussion is turned over to a number of other prominent students, each of whom gives his opinion on the same subject. Among these men are David Lloyd George, S. K. Ratcliffe, Viscount Cecil, André Philip, Edgar Mowrer, and Nicolas Berdyaev.

Thus, the reader is able to find not only a comprehensive picture of international affairs in Europe, but he can feel that there is a sufficiently wide range of opinion to insure his getting most of the viewpoints which exist today. Dr. Eddy's method in gathering this material is one which he has employed frequently in the past. On his world trips, he obtains stenographic reports of speeches and interviews by prominent men, and groups these in a complete volume on some related subject.

\* \* \*

A GLANCE over the pages of the history of literature shows that many great men—warriors, statesmen, financiers, and others—at the height of their prominence have written accounts of their experiences or have otherwise attempted to add to the world's library of books. Some, undoubtedly, have had literary ability, while a great many others have rested secure in the knowledge that their own importance would make up for any deficiencies in their authorship.

To the group of prominent men who have had the ability to write what they have seen and done belongs Winston S. Churchill, long a dominant figure in the English political scene. His latest book is "Great Contemporaries" (New York: G. P. Putnam's Sons. \$4), a masterpiece of portrait essays. Kings and ex-kings, diplomats and generals, authors and statesmen, rebels and dictators—all are in the parade of 21 sketches which Mr. Churchill gives. He has succeeded in his aim to throw some light with these pictures on the main course of events through which we have lived. Thus, the reader will find in this well-written book an extraordinary collection of impressions which could not have been gathered by a professional author, because Mr. Churchill employs to full advantage the numerous opportunities which he has had to meet and observe the personalities about whom he writes.—J. H. A.



DEPARTMENT OF INTERIOR

IDS TOURIST TRADE  
than the year before. The view above is of Juneau.

tion's fight against tuberculosis are on sale in every state. For 30 years Tuberculosis Associations have used this method to raise money for sanitariums and health-education programs. It originated in Denmark, but in 1907 a Delaware woman thought of adopting the plan. She hoped to raise \$300 to keep a little fresh-air cottage open; she had 10



## Social Security Program Swings Into Action in Every State of U.S.

THE Social Security Act of 1935 was passed to protect the people of the nation from the economic hardships which so often come with such conditions as old age and unemployment. It is a relief measure, but one which is intended more for the future than the present. The United States has never been so prosperous that every man, woman, and child could be assured of food, shelter, and clothing; it is a question whether the nation will ever reach that point. The Social Security Act attempts to cushion the effects of the ravages of economic insecurity.

The agency which administers the Act is the Social Security Board. Probably no agency in the government is more confused in the minds of the public than this Board, because its work is overlapping and very complex. The Board handles three separate and distinct projects: Old-Age Insurance, Unemployment Compensation, and Public Assistance. Its role is different in each; it has complete charge of the first, but cooperates with the states in the other two. The Board itself is composed of three members, appointed by the President and confirmed by the Senate. Since August 1935, it has set up a large and constantly growing organization, with eight bureaus in Washington and 12 regional offices throughout the nation.

### Old-Age Insurance

There are today between one and three million old people in the United States who are dependent on their relatives, the government, or charity for their living. Many of them tried to save when they were working, but their salaries were too small or their savings were wiped out by poor investments. A few dollars a month would make them self-supporting. Beginning in 1942, the Old-Age Insurance plan will provide those few dollars by making benefit payments to retired workers over 65 years of age. But the payments will not be government gifts. Thirty million workers who will someday receive benefits are now contributing one per cent of their income to the federal government. Their employers are contributing a similar sum. For instance, if a worker is earning \$2,000 a year, he pays \$20 into the treasury, and his employer pays in \$20. Gradually the payments are to be increased until they will amount to three per cent, or \$60, by 1949. When the worker is 65, he may retire and receive monthly checks from the government. The size of his check, determined by his total income between the first of 1937 and the year he becomes 65, will range from \$10 to \$85. If a worker dies before he reaches the age of 65, a sum equal to 3½ per cent of his total wages since January 1937, is paid to his heirs. Incomes are taxed only up to \$3,000 a year; above that point they are tax-free. The Act does not include a number of workers, such as agricultural laborers, domestic servants, and government employees.

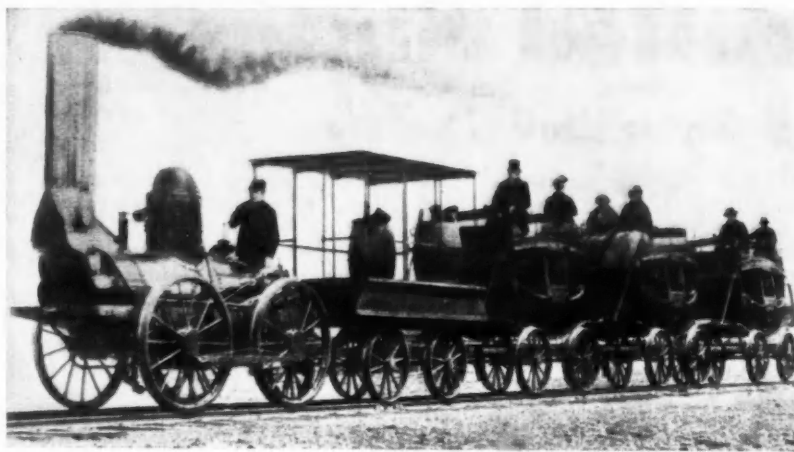
Unemployment is a condition found not only during depressions. In the late 1920's,

when the nation was most prosperous, almost two million persons were unable to find work. Every month several hundred thousand workers are laid off. Most of them find other jobs. But what do they live on during the weeks and months until they do? Few of them have saved enough to pay their expenses. Unemployment Compensation functions for such people. Whenever a worker is discharged, he applies to the state employment office. He is registered, and the office helps him look for another job. If he does not find work within a few weeks, he receives weekly checks from the state's unemployment compensation fund, usually amounting to one-half of his weekly wage, but rarely more than \$15 a week. The length of time before payment begins, the size of the checks, the number of checks, are all determined by the law of the particular state. The Social Security Act itself did not set up an Unemployment Compensation plan. Rather it encouraged the states to set up their own systems. The government levies a tax on the pay rolls of all employers who hire more than eight persons. But if those employers contribute to a state unemployment compensation system, they may deduct as much as 90 per cent of the federal tax. The remaining 10 per cent is used to cover administration costs. Employers soon saw the benefits of unemployment compensation. Now all the states and territories have their own systems.

According to the Social Security Act, two years must elapse between the passage of the state law and the first payments, so that a reserve fund may be built up. Twenty-one states will make their first payments in January; Wisconsin has been making payments since August. All 48 states will be making payments by 1939. The federal government's part in this program is largely one of supervision; it sets certain regulations to which the states must conform. It also makes grants to the states to cover cost of administration. Unemployed workers have no direct connection with the Social Security Board; they apply through their state systems and under their state laws.

### Public Assistance

The third plan administered by the Board is that of Public Assistance. Here again the states write their own laws, although those laws must conform to certain regulations laid down by the Social Security Act before the states can receive any help from the Board. Public Assistance helps three groups: the needy aged, the needy blind, and dependent children. Two years after it was inaugurated, the Public Assistance plan was helping to support two million people. Local agencies had previously been carrying the entire burden. The states make direct payments to individuals in the three groups. Then the federal government gives each state part of the total amount it has paid out—one-half for all paid to the aged and the blind, one-third for dependent children.



THE "DE WITT CLINTON"

The third steam train in America and the first in New York state. The entire train was not as long as a modern locomotive. (From "Famous American Trains," by Roger Reynolds. Grosset and Dunlap.)

## Historical Backgrounds

By David S. Muzzey and Paul D. Miller

### Development of the Railroad Problem

ALONG with housing and certain other industries, President Roosevelt is reported to be considering means of helping the railroads. The railroad industry plays such an important role in our economic life that many economists attribute the present slump in business to a decline in the railroads. In normal times the steel industry alone depends upon orders from the roads to absorb a fourth of its production. When there is a decline from that figure, the whole of industry suffers. During the upward movement of 1936, the roads absorbed a tenth of steel production. At the present time they are taking only about one per cent. Were they buying all the equipment they needed, hundreds of millions of dollars would be pouring through American industry.

#### Not a New Problem

The railroad problem, like the farm problem, is not new. It was with us before the depression of 1929 and is likely to remain for some time unless a satisfactory solution can be found. It has even been suggested that the government itself will have to take over the railroads if they are to be placed on a sound footing. The Interstate Commerce Commission, which has broad regulatory powers over the roads, has for a number of years been studying the problem and seeking a solution, but as yet it has not been successful in finding one.

The problems confronting the railroads are multiple. Some of them arise from the competition which railroads must meet from other forms of transportation, such as the pipe-line, the motor bus, the automobile and truck, the airplane, and the internal waterways. Others spring from different sources, from abuses which accumulated during a number of years.

During the period of great expansion of the roads, roughly from the sixties to the eighties of the last century, the federal government lent an extremely helpful hand. It gave them as much land as all the New England states, New York, and Pennsylvania combined. While the country derived great social and economic benefits from this expansion, it also suffered the consequences of many unwise policies. Railroads were extended to regions which could not offer them enough business to keep going. They overreached themselves in linking the country together.

But this was not the most important factor during the period. The building of the railroads gave rise to abuses and unscrupulous practices on the part of financiers, the like of which the nation had never known. The first great American fortunes were made in the railroads, many of them by practices which would not bear close scrutiny. Investors were duped right and left by the early promoters. As Hacker and Kendrick point out in their "The United States Since 1865":

By the seventies the American public had learned the lengths of which railroad financing was capable. Not only had states and municipalities been loaded with burdens of debt incurred in ill-starred railroad enterprises, but the number of duped individuals reached a mighty host. The credulous western farmer, anxious for a market for his produce, had been a ready victim. He had bought shares in the projected railroads, paying for his hopes in land, labor, and even farm mortgages. Sometimes the railroads were never built; more frequently, when they were actually laid down and in operation, the investors saw their legitimate profits being diverted into the pockets of the promoters.



DAVID S. MUZZEY

It was due to the many abuses which arose during the early period of our railroad history that demands for government regulation were made. And it is true that most of the abuses have been eliminated. Nevertheless, the roads are in a hopelessly difficult situation. They are so heavily in debt that they cannot afford to make the payments for replacements which would be so helpful to business in general. It has been estimated that from 1929 to 1936, they fell behind by more than two billion dollars in the replacement of equipment which was worn out. Many of the roads have gone into bankruptcy; others have been saved only by financial support lent to them by the government.

So long as the railroads are so burdened with debt, a large share of the money they make must go to pay the interest on bonds; which means that they are unable to make the replacements which they must have to get the business they need. Sweeping financial reorganization, with a view to disentangling them from the labyrinth through which they are struggling, has been recommended. Meanwhile, business and the government alike are deeply concerned as the orders for locomotives and cars and equipment of all kinds decline to a fraction of what they should be.

### Your Vocabulary

Do you know the meaning of the italicized words in the following sentences? He lived in the midst of unimaginable *squalor*. When he saw the picture, a feeling of *nostalgia* came over him. The President's message to Congress contained a *subtle* reference to the Supreme Court. Parents will agree that a spoiled child is often *capricious*. Unwise investors have often been *duped* by clever bond salesmen. Congress was told that it was *imperative* to consider farm legislation. Anyone who is unjustly accused will attempt to *vindicate* himself.



THE SOCIAL SECURITY BOARD

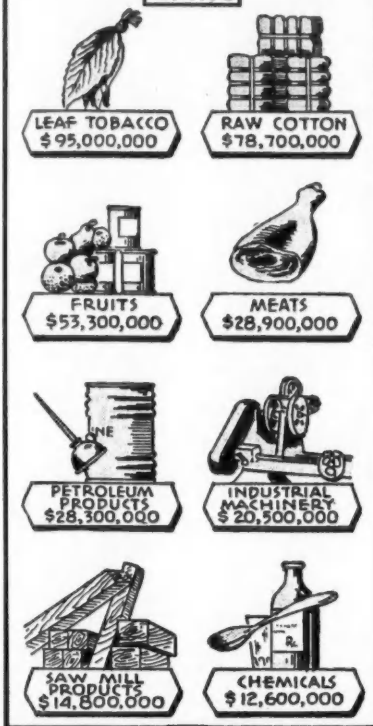
Left to right: George Bigge, Arthur Altmeyer, Mary W. Dawson. Right is Frank Bane, executive director.



# The Reciprocal Tariff Program

## OUR PRINCIPAL EXPORTS TO BRITAIN

FOR 1936



TOTAL AMERICAN IMPORTS FROM GREAT BRITAIN FOR 1936  
\$200,000,000

TOTAL AMERICAN EXPORTS TO GREAT BRITAIN FOR 1936  
\$440,000,000



eign countries contracted, American farmers not only lost important markets. They were also faced with surpluses, so that prices in the domestic market fell perforce. They thus reaped a twofold harvest of ruin.

### Past Tariff Policy

What was responsible for this decline? To a considerable extent, of course, the decline was part of the worldwide depression that began in 1930. The foreign trade of every country had shriveled. But the opinion was advanced by most economists that responsibility for the American loss of foreign markets could also be laid at the door of those entrusted with formulating the American tariff policy. For some years our government has maintained high barriers against the importation of foreign goods. It was argued that American workers must be protected against the low wages and equally low standards of living prevalent in foreign lands. To permit the cheap products of foreign competition into our shores, it was stated, would mean depressing the average American workman.

The merits of such reasoning need not be discussed here. But it led, in 1930, to the Smoot-Hawley tariff, the highest in American history. The reaction abroad was swift and effective. Canada, that same year, increased her tariff upon American goods, added still another tariff a year later and became the spearhead, in 1932, of a movement to bind the nations in the British Commonwealth into closer commercial ties, at the expense of nations outside the empire. The Smoot-Hawley act likewise invited reprisals from other powers.

It was in a determined effort to reverse this trend that President Roosevelt urged upon Congress the passage of the Reciprocal Trade Agreements Act, and the President signed the measure in June 1934. The act permits the President, unrestrained by the usual treaty procedure requiring Senate ratification, to negotiate trade agreements with foreign countries. He may change the tariff on goods entering this country from the treaty nation as much as 50 per cent, provided that in return he receives similar concessions on American goods entering that country. A particular feature of these reciprocal pacts is that a reduction made by the United States to any one country applies equally to all other treaty countries. Thus the United States does not appear to discriminate against other powers.

Once this measure had been enacted, Secretary Hull set himself with persistency and thoroughness to the task of arranging the individual treaties. His road, it may be added, has been far from smooth. A treaty with Switzerland sent the watchmakers

scurrying to Washington in protest. Special concessions to the lumber industry of Canada aroused violent protests from our own lumber interests. During the 1936 campaign, the reciprocal trade treaties became one of the major issues between the two parties. The New Deal orators, seeing in the treaties the vision of a promised land, dusted off their most tried metaphors "to point with pride"; while the Republicans, employing equally tried metaphors, charged that the trade treaties would have the effect of selling the farmer down the river.

Accurately to appraise the effect that the treaties have had upon our national economy is a difficult matter. Upon one thing unbiased economists are agreed: that the alarms of the Republican orators have not been justified. Far from hurting our commerce, the reciprocal trade treaties have been accompanied by a sharply increasing volume of foreign trade, from a low of \$2,930,000,000 in 1932 to close to \$5,000,000,000 in 1936. However, it is a matter of dispute how much of this advance may be attributed to our new trade policy, since foreign trade has made marked advances in other countries as well.

This much, nonetheless, is certain. Our trade with those nations with which we have arranged treaties has increased considerably more than our trade with non-treaty nations. Thus, during the first year of our agreement with Belgium, our exports increased by 25 per cent and our imports from Belgium increased comparably. The same result ensued from our treaty with Cuba, though in the case of this country, for special reasons, our sugar imports far outbalanced the increase in our exports.

### U. S.-British Trade

The importance of the pact now being negotiated with Great Britain cannot be overemphasized. The two nations between themselves control more than half of the world's international trade, buying 28 per cent of the imports and selling to the world 24 per cent of all the exports. Our sales to England in 1936 were equal to combined sales to nine other important European nations. We sell more to the British than we do to the billion inhabitants of Asia. And, as Mr. Walter Lippmann points out in a recent column in the *New York Herald-Tribune*:

And Anglo-American trade has survived even under the most serious discouragements. Our tariff policy has dealt harshly with English goods. We buy a great many products via England, such as tin, furs, tea, rubber, etc., but the bulk of goods actually produced in England pay rates of from 30 to 45 per cent. And some of them, which compete with no important American industries whatsoever, such as cotton lace, pay 90 per cent.

## OUR PRINCIPAL IMPORTS FROM BRITAIN

FOR 1936



COURTESY NEW YORK TIMES

WHAT may be termed the apex of American foreign trade policy was swung into position a few days ago with the announcement by Secretary of State Cordell Hull of an impending trade treaty with Great Britain. The announcement crowned preliminary conversations, lasting nearly a year, between experts in London and Washington; and the formal negotiations will entail perhaps months more of detailed bargaining. As a matter of fact, the State Department does not expect an agreement, satisfactory to both governments and open to a minimum of protests from American business interests, to be completed before next June. But despite the obstacles to be hurdled, it seems likely that an agreement will ultimately be made.

### Program Extended

Great Britain may thus become the twenty-first nation to be included in the reciprocal trade treaties program which Cordell Hull, with the President's support, has ceaselessly fostered since the early days of the New Deal. So far pacts with only 16 of these powers have as yet become effective. But the negotiations with the other governments have reached the point where the formality of signing may be expected in the near future.

These agreements have, for their primary purpose, the expansion of American foreign trade. Advocated by Franklin D. Roosevelt during the 1932 campaign, they were represented as a new policy of tariff bargaining, to arrest a sharply declining trend in American exports and imports. In 1929, the total foreign trade of the United States had reached a peak of close to 10 billions of dollars. Our exports alone in that year were worth five and a half billions. Three years later, our total trade had fallen to less than three billions and our exports to little more than a billion and a half.

The effect of this decline upon our industry and our farm population became painfully evident. Since one-tenth of our total production, in normal times, is devoted to foreign trade, it is inevitable that any sizable reduction in the volume of our exports should have resulted in large numbers of unemployed, with a consequent decrease in the nation's purchasing power. More painful even than the effect upon those industries, a large part of whose production depended upon foreign trade, was the effect upon our agriculture. In 1929, more than half of our cotton had been shipped abroad; two-fifths of our tobacco; and a slightly larger proportion of our dried fruits. Thus, when trade with for-

The Ottawa agreements, concluded in 1932, which were designed to increase trade among the members of the Empire, did much to injure the United States. In 1931, for example, the British bought 20 million dollars' worth of flour and wheat from this country; four years later, only a million dollars' worth was bought. The reason is not difficult to see, for Canadian wheat paid no duty in England, whereas American wheat was obliged to pay six cents a bushel. Similar declines are noted in other exports to Great Britain.

The success of the proposed Anglo-American pact will depend upon the willingness of both countries to make concessions. There will naturally develop serious objections as the individual articles are taken up upon which reductions are contemplated, and strong pressure will be brought to bear upon the American government. However great the obstacles, it seems fairly certain that a meaningful pact will be concluded; one which will go far to unclog the jam which has so stifled international trade for a good many years.

### MOVES TO REVIVE BUSINESS

(Concluded from page 8)

we might soon move upward. But what can be done? That is a big problem in itself and must be considered on another occasion.

It is, of course, possible and even probable that we will recover after a while from the present business decline even though nothing very effective can be done at present to prod the lagging industries we have mentioned. Most economic observers think we are likely to have several months more of poor business. There will be less buying from factories than we have had during recent months. Eventually, however, the stores and warehouses which have put a check on their buying of goods will find that their shelves are getting bare again. They will be obliged to resume their buying. Then we will have a stimulation of production all along the line and another business upturn. No one knows when the point will be reached at which we can expect a resumption of recovery, but the average of opinions expressed appears to be that the present recession will probably have run its course in another half year or so, and that by this time next year we will be well back on the recovery road. This, of course, is merely a guess, but it represents the kind of guessing which most well-informed economists and business leaders are doing.

## Something to Think About

1. How does the President propose to stimulate a vast housing program, financed by private capital?
2. What are the principal difficulties standing in the way of a large housing program in this country at the present time?
3. What steps, if any, might the federal government take to stimulate the electric utilities and railroad industries?
4. How have the practices of communism in Russia differed from the original plans of the early leaders?
5. In what respects does communism resemble fascism and in what respects do the two systems differ?
6. Would you say that Russia has, on the whole, benefited from communism during the last 20 years?
7. What are the main provisions of the two farm bills now up for consideration in Congress?
8. Why is the reciprocal trade agreement now being negotiated between the United

States and Great Britain regarded as so important a part of Secretary Hull's entire program?

**REFERENCES ON COMMUNISM:** (a) *Two Internationals Find a Common Foe*, Ludwig Lore. *Foreign Affairs*, January 1936, pp. 227-242. (b) *Russia Grows Up*, Maurice Hindus. *Harpers*, May 1937, pp. 611-620. (c) *Soviets, Aged 20*, *Business Week*, October 30, 1937, pp. 16-18. (d) *American Dream*, Joseph Barnes. *Atlantic*, January 1937, pp. 111-116.

**REFERENCES ON CONSTRUCTION:** (a) *What Ruined the Railroads?* Eliot Janeway. *Nation*, November 20, 1937, pp. 555-557. (b) *Political Power*, W. E. Wilkie. *Atlantic*, August 1937, pp. 210-218; and rejoinder by A. E. Morgan. *Atlantic*, September 1937, pp. 339-346. (c) *The Building Cycle*, G. W. Warren and F. A. Pearson. *Fortune*, August 1937, pp. 84-88. (d) *Approaches to the Housing Problem*, W. J. Vinton. *Annals*, March 1937, pp. 7-16.



# Roosevelt Acts to Stimulate Business

(Continued from page 1)

many houses or housing units were constructed in Great Britain in proportion to the population as here. Four-fifths of the British houses were built by private interests without any government subsidy, but the government itself has constructed four and one-half times as many, in proportion to population, as it is proposed that the United States government will help construct under the Wagner Housing Act, just now going into operation.

The President's proposals for helping housing do not appear to be very drastic. The government, acting through the Federal Housing Administration, already offers to guarantee loans which building associations make to individuals who build houses. If, for example, John Smith wishes to build a house, he borrows the money from the X Company, a building and loan association. This loan association is perhaps afraid to lend the money to John Smith for fear that it will not be repaid and that the value of the house will decline so much that even if it forecloses the mortgage, it cannot get its money back. So the government tells the X Company that if it will make the loan to John Smith, charging him 5½ per cent, the government will stand behind the loan and see that the company does not lose. Through this process, John Smith may borrow as much as 80 per cent of the value of the house. He puts up one-fifth and borrows the rest at 5½ per cent.

The President now proposes amendments to this law. He would have the interest charge cut from 5½ per cent to 5 per cent. This would make it a little easier for John Smith to borrow the money to build his house. He could also borrow more. He could put up only one-tenth of the value of the house and borrow the rest. The building and loan association, under the President's plan, will have the government



FHA PHOTO  
FIRST OF THE FHA'S LARGE-SCALE HOUSING PROJECTS  
Colonial Village, located in Virginia near the nation's capital, a project of 974 family units insured by the Federal Housing Administration. It has been a successful venture from the start and is considered a model for other large moderate-rent housing projects.

and that they would make more money by the increased business than if they sold their materials at a higher price and had a smaller quantity of business. Another feature of the cost-reducing program is the effort to induce the workers engaged in the building industry to lower their wages. It is thought that they might do this if they were guaranteed more steady employment. A carpenter, for example, could make more money if he worked for 250 days a year at \$5 a day than if he worked 50 days a year at \$10 a day.

If the manufacturers of materials could be induced to reduce their prices and if the labor unions could cut their daily wages, there might be greatly increased building. But whether such results can be achieved is uncertain. The officials of the American Federation of Labor have indicated that they might consider a cutting of wages if there were some way by which their men could be assured of more steady employment and a higher yearly wage. If construction companies would sign contracts with the workers, guaranteeing them a certain yearly income, provided they cut their wages, the workers would probably accept, but it will be very hard indeed for contractors to find a way to do this very safely.

## Present Program

At the same time that the government is trying to induce private industry to increase building operations, it is undertaking directly to assist in the building of certain kinds of houses. The government is making

direct loans to cities to help these cities put up low-cost houses to take the place of slums. The government will lend the cities 90 per cent of the cost of these housing projects, and then if the city finds that it loses money in operating the apartments it constructs for the very poor, the government will make gifts or subsidies to the cities to make up the loss. This part of the work, which is being carried on by the Federal Housing Authority, under the direction of Nathan Straus, will doubtless accomplish something at slum clearance, but it cannot be extensive enough to make more than a dent in the nation's housing problem, nor can it be expected that the government's slum clearance work will stimulate the construction industry enough to get the nation out of the business slump. The chief hope at present for housing on a large scale depends upon stimulating private industry. That is what the government is trying to do, but the hope for large-scale results in the near future are only moderately bright.

Another field in which the government may act is to induce the great public utility companies to engage in a construction program. There is undoubtedly a great deal of expansion work which the big electric power companies need to do. If they should get busy expanding their plants, the steel and other industries would receive a great stimulation. Why do these companies not act?

They say that they cannot raise the money to carry on such a program until the government changes its attitude toward them. It is a widespread belief that the government is going directly into the business of power production on an increasing scale. If it does this it will, of course, compete with the private power companies. Many people who have money to invest will not put it into the power companies if they think it probable that these companies will have to face increasing government competition.

## The Power Industry

The government is already producing power in the Tennessee Valley. It is doing this through the TVA. It is being proposed that the idea of the TVA be applied to other regions. Whether or not the President and his advisers have in mind that power shall be produced by the government in other sections of the country as it is being produced in the Tennessee Valley, is somewhat problematical. Until that question is settled, investors appear unwilling to put their money into the private power companies.

At present 10 to 12 per cent of the electric power produced in the nation is produced in publicly owned plants. If these government plants were operating at full capacity they could serve from 18 to 22 per cent of the population. This would take a great deal of business from private power companies, and if the government should carry on programs in many regions of the nation similar to that which is being carried on in the Tennessee Valley, the private power companies would be seriously crippled.

It seems necessary, then, that if the private companies are to expand, increase their plants, use more materials, and employ more men, there must be some understanding as to the extent of the government's probable operations in the future. In order to come to such an understanding, Presi-

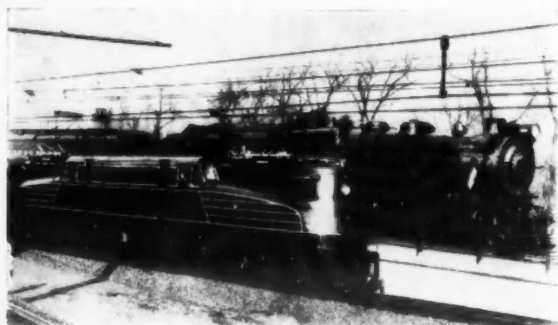
dent Roosevelt has been talking with prominent officials in the power industry.

These conversations have not been made public. Whether progress has been made toward an agreement between the power companies and the government is uncertain. It appears that some progress has been made. After talking with the President, Mr. Floyd L. Carlisle, of the Consolidated Edison Company, which operates in the New York area, said that one of his companies would get to work immediately and spend \$100,000,000 in expansion activities. Mr. Wendell L. Willkie, head of the Commonwealth and Southern Company, which operates partly in the Tennessee Valley, seemed less hopeful after his talk with the President.

## Railway Needs

Another industry which needs some kind of stimulation is the railroad industry. Normally the railroads consume one-fourth of all the steel that is manufactured in the nation, but they are now using hardly any of it—perhaps one per cent. Their freight cars and engines and passenger cars are old and need to be replaced. Four-fifths of the freight cars on one of the most prosperous roads, the Pennsylvania, are said to be more than 20 years old. The equipment on nearly all the roads is so worn out that the operation cost of the roads is very heavy; yet the companies do not have enough money to make the needed replacements. They are nearly all badly in debt. They have sold bonds and must pay interest on these bonds. The result is that though their business has increased lately, the net income of the roads has not gone up very much. So they are standing still, doing little buying. The inaction of the railway companies has had much to do with the decline in steel production and with the general downward trend in business. If something could be done to enable the railroads to resume their purchases of materials

(Concluded on page 7, column 4)



PWA PHOTO  
PWA FUNDS FOR RAILROADS  
The government has stimulated the railway industry by providing funds for electrification and modernization of equipment.

behind it as it has had before. There are other features in the President's plan of helping housing, but these are the chief ones. These loans are to be made on the conditions which have been specified only with houses costing less than \$6,000.

## Further Proposals

President Roosevelt admits that his program, if adopted by Congress, will not solve all the troubles of the housing industry. Housing, he says, has been held back by several conditions. For one thing, the cost of building materials has advanced greatly. Not only that, but the wages of workers engaged in the building industry have gone up rapidly. The result is that even though John Smith wants a house very badly and knows that he can borrow money to build it, he hesitates to build because he will have to borrow so much money. The total cost will be higher than he feels he can stand. President Roosevelt says that he will hold conferences with representatives of industry, labor, and finance, in order to get costs pared down. Whether anything can be accomplished by these conferences remains a question.

One plan which is being discussed quite a little in Washington is that companies engaged in supplying building materials might be induced to cut prices materially as an experiment. It is thought that this might bring about a spurt in building so that the companies could do more business

## Smiles

Boss: Excuse me, but was that you singing?  
Soprano: Yes, why?  
Boss: Well, next time you sing, I wish you wouldn't hang on to that top note so long. The men have knocked off work twice already, mistaking it for the noon whistle.  
—SELECTED

Author in letter: "I am a very quick worker. I got thru the enclosed article in an hour and thought nothing of it."  
Editor replying: "I got thru it in half the time and thought just the same."  
—SELECTED

Teacher: Now that you have read the story of Robinson Crusoe, Willie, tell me what kind of a man you think he was.  
Willie: A contortionist.  
Teacher: What makes you think so, Willie?  
Willie: Because it says that after his day's work, he sat on his chest.  
—TIP TOP

"Did he take his misfortunes like a man?"  
"Precisely. He laid the blame on his wife."  
—TORONTO GLOBE

"Dwarf cows have been added to a California zoo."—Press report. And now 500 paragraphs will be bound to want to know if these cows give condensed milk.  
—WASHINGTON POST

The man at the next desk, remembering he has still another installment to pay on his 1937 income tax, thinks the name should be changed to "eternal" revenue.

—Columbus (Ohio) DISPATCH

"Pa, what is dramatic ability?"  
"Dramatic ability, my boy, is an office boy's gift of being able to look sad when he hears his boss is too ill to come to the office."

—MONTREAL DAILY STAR



"MY HUSBAND BROUGHT IT BACK FROM THE CITY"  
GRAVES IN COLLIER'S